Rakuten Trade

Investment Idea

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12 August 2025

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Investment Idea

ITMAX System Bhd

Back-to-Back Contract Wins

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BUY

Price: RM4.41

Target price: RM5.01

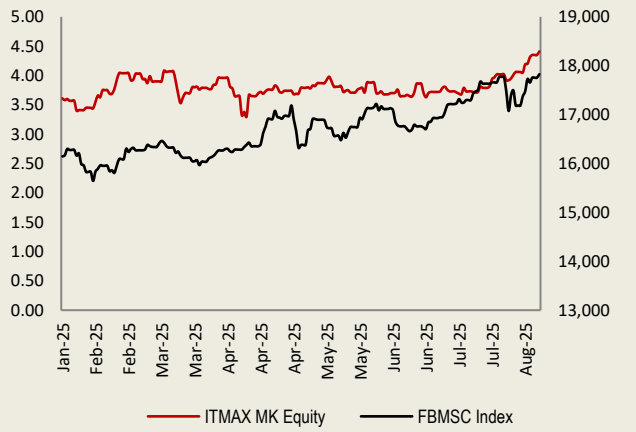
We reiterate our bullish outlook on ITMAX System Bhd (ITMAX: 5309) underscored by two significant contract wins from Selangor councils: Subang Jaya City Council (MBSJ) and Shah Alam City Council (MBSA), representing ITMAX's first major step into the Selangor market. This increases their unbilled order book to another record high of c.RM1.6bn. We expect the company to register core net earnings of RM85.1m for FY25F and RM101.4m for FY26F. BUY with a target price of RM5.01, derived from a DCF valuation applying an 8.2% WACC and a 3% terminal growth rate.

ITMAX made a breakthrough in Selangor's smart parking system via two high-profile Selangor Intelligent Parking (SIP) appointment from MBSJ and MBSA. The MBSJ contract marks ITMAX's first entry into Selangor, covering 73k gazetted bays (33k currently operational, the remaining 40,000 undergoing upgrades for full activation in the coming months) with technology-driven enforcement using Mobile Patrol LPR and CCTV monitoring. This was swiftly followed by the MBSA win, managing 80k gazetted bays (50k operational), with transformation works underway for the remainder. Together, these contracts place c.100k Selangor parking bays under ITMAX's management, exceeding the c.60k bays it operates in Johor.

Under both agreements, ITMAX (via its 70%-owned subsidiary Selmax) will enjoy a 50% revenue share from parking and compound collections while handling maintenance, infrastructure, and enforcement manpower. With Selangor Phase 1 covering MBSJ, MBSA, MPS, and MBPJ, and the latter two yet to appoint operators. ITMAX is well-positioned to secure additional Selangor councils, with Phase 2 to involve the remaining councils as existing contracts are expiring by end-2025, positioning ITMAX to capture a significant portion of Selangor's total addressable market of 330k–400k parking bays. Beyond parking, this network forms the backbone of Selangor's Smart City initiative, paving the way for future integration with video surveillance and citywide management systems.

In Johor, ITMAX continues to reinforce its leadership after a successful rollout in Kulai that delivered a 200% surge in parking revenue for the council, the group now manages smart parking across seven councils. The latest win is a RM145m, 20-year Smart Traffic Light System contract from Johor Bahru City Council (MBJB), covering 230 junctions and expected to bill progressively between 4QFY25–1QFY26. Johor Bahru's urban expansion is expected to drive junction growth at c.5% p.a., while the city's CCTV needs are projected at c.34k units versus the current 500 installed, highlighting enormous untapped potential.

We see ITMAX as one of the most compelling urban digitalisations plays in Malaysia, underpinned by (i) rapid Selangor expansion with back-to-back contract wins and more in the pipeline, (ii) Johor market dominance reinforced by long-term contracts and policy, (iii) robust earnings visibility from recurring income streams and unbilled orderbook at RM1.598bn. ITMAX's balance sheet remains solid with a net cash position.



KLCI	1,563.24
YTD FBM KLCI change	-4.82%
YTD FBM SC Index change	-13.8%
YTD stock price change	19.5%

Stock Information

Market Cap (RM mil)	4,550.3
Issued Shares (m)	1,031.8
52-week range (H)	4.46
52-week range (L)	3.15
Shariah Compliant	Yes

Major Shareholders

Sena Holdings SB	46.3%
Julius Baer Group Ltd	6.8%
Genda Sensasi SB	4.6%

Summary Earnings Table

FY Dec (RM'm)	2024A	2025F	2026F	2027F
Revenue	220.2	239.0	283.5	316.9
EBIT	104.1	108.3	128.6	151.8
Pretax profit	107.2	112.0	133.5	157.2
PATMI	**80.5**	**85.1**	**101.4**	**119.5**
Core PATMI	**80.4**	**85.1**	**101.4**	**119.5**
Consensus	-	91.3	119.3	131.0
Core EPS (sen)	7.8	8.2	9.8	11.6
EPS growth (%)	27.4	5.7	19.2	17.8
DPS (sen)	2.6	1.6	2.0	2.3
PER (x)	56.5	53.5	44.8	38.1
BV/Share (RM)	0.39	0.47	0.57	0.69
ROE (%)	21.6	19.2	18.9	18.5
Div. Yield (%)	0.59	0.37	0.45	0.53

Sources: Company, Rakuten Trade Research

COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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